



# Department of Veterans Affairs

## **Financial Policy**

### **Volume VI**

#### **Liabilities**

### **Chapter 8**

## **Environmental and Disposal Liabilities**

Approved:

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## 0801 Overview

This chapter establishes the Department of Veterans Affairs' (VA) policies for identifying, recognizing, estimating, recording, and reporting environmental and disposal liabilities (EDL). VA is subject to environmental laws and regulations regarding air, water, and land use, the storage and disposal of hazardous materials, and the operations and closure of facilities where environmental contamination may be present. In general, EDLs result from Environmental Protection Agency (EPA) regulations contained in 40.C.F.R. Vol. 30 - Part 300, National Oil and Hazardous Substances Pollution Contingency Plan, and Part 307, Comprehensive Environmental Response, Compensation, and Liability Act (CERLA) Claims Procedures. Overall financial accounting principles, standards, and reporting requirements for EDLs are governed by guidance from the Financial Accounting Standards Advisory Board (FASAB) and the Office of Management and Budget (OMB).

Key points covered in this chapter:

- VA's facility engineers and environmental managers will exercise professional due diligence to identify the presence or likely presence of contamination for potential EDLs;
- VA will recognize, estimate, and record its EDLs in accordance with FASAB authoritative guidance; and
- VA will report its EDLs in accordance with OMB Circular A-136 and FASAB authoritative guidance.

## 0802 Revisions

| Section       | Revision  | Office     | Reason for Change   | Effective Date |
|---------------|---|------------|---|----------------|
| Various       | Reformatted to new policy format and completed five-year review | OFP (047G) | Reorganize chapter layout                                       | August 2020    |
| 1005 Policies | Updated policy statements                                       | OFP (047G) | Properly reflect VA's current accounting and recognition of EDL | August 2020    |

## 0803 Definitions

**Asbestos** – A widely used, mineral-based material that is resistant to heat and corrosive chemicals. Typically, commercial asbestos appears as a whitish, fibrous material which may release fibers that range in texture from coarse to silky; however,

airborne fibers that can cause health damage may be too small to see with the naked eye.

**Asbestos-related Cleanup Costs** – Costs of removing, containing, and/or disposing of asbestos-containing materials from property, or material.

**Cleanup Costs** – Costs of removing, containing, and/or disposing of non-operational hazardous waste/material, contamination and/or property.

**Location of Concern (LOC)** – An area within the jurisdiction, custody or control of a Department office that is suspected to be contaminated based on known past activities or observed and reported physical indicators, where due diligence has yet been conducted.

**Non-friable Asbestos** – Any material containing more than one percent asbestos that, when dry, cannot be crumbled, pulverized, or reduced to powder by hand pressure.

**Operational Cleanup Costs** – Costs associated with spills and hazardous waste disposal that are part of operations, are handled immediately, and do not result in future liabilities/EDLs.

**Professional Due Diligence** – Performing required functions in accordance with a profession's technical or ethical standards.

**Probable** – That which can reasonably be expected or is believed based upon existing evidence to be more likely to occur than not to occur.

**Property, Plant, and Equipment (PP&E)** – Tangible assets that have an estimated useful life of two or more years, are not intended for sale in the ordinary course of business and are intended to be used or available for use by the entity.

**Reasonably Estimable** – Describes the ability to reliably quantify in monetary terms the outflow of resources that will be required

**Recognize** – To formally record or incorporate an item into an entity's financial statements as an asset, liability, revenue, expense, etc.

**Sites/Facilities** – Refers to the specific locations where VA must remedy negative and harmful environmental conditions.

## **0804 Roles and Responsibilities**

**Administration/Staff Office Fiscal Staff and Chief Financial Officers (CFOs)** are responsible for appropriately identifying, estimating, recognizing, recording and maintaining documentation for EDLs. Quarterly, Administration/Staff Office CFOs are

responsible for certifying the accuracy of financial statement balances including EDLs.

**Office of Asset Enterprise Management (OAEM)** is responsible for overseeing the development and implementation of procedures, processes, and reporting related to environmental programs, working with counterparts in other VA organizations to ensure environmental issues are addressed in all programs, and resolving differences among organizations regarding environmental issues, strategies, or procedures.

**Office of Construction and Facilities Management (CFM)** is responsible for working with facility directors, environmental representatives, and facility engineers to ensure appropriate environmental cleanup costs are reported for major construction projects.

**Facility Engineering Service and Environmental Manager** is responsible for providing and maintaining environmental cost and liability estimates. Facility engineers should review and document EDL cost estimates on a quarterly basis for adjustments that may be needed due to inflation (annual basis), remediation, etc.

## **0805 Policies**

### **080501 General Policies**

- A. In accordance with applicable environmental protection laws, VA will take the necessary actions to identify and remedy environmental conditions that require cleanup and formal closure.
- B. A list of laws that VA may be subject to are contained in Appendix A, Relevant Environmental Laws.
- C. VA will recognize an EDL in accordance with FASAB Statements of Federal Financial Accounting Standards (SFFAS) 5 and 6, Technical Release (TR) 2, 10, and 11, Interpretation 9, and Technical Bulletin (TB) 2011-2, when a future cost or other sacrifice of resources is probable and reasonably estimable.

### **080502 Identification of EDLs**

- A. Facility engineers in consultation with environmental managers will exercise due diligence in identifying the presence or likely presence of contamination at a facility.
- B. Facility engineers and environmental managers will document the date and results of the due diligence measures conducted, and any actions performed, and retain them for audit purposes in the facility's records.
- C. VA will identify a site as having an EDL if the due diligence results indicate that

further action (e.g., study, formal closure, or cleanup) is warranted.

- D. Facility engineers at VA local facilities ensure appropriate environmental cleanup costs for identified EDL sites/facilities are reported to their finance office.
- E. Appendix B, Background Information for Potential EDLs, identifies activities and potential contamination that will be included in the environmental due diligence evaluation.
- F. In order to determine if a site/facility must report an EDL the facility engineer will evaluate the site based upon the information contained in Appendix B.

### **080503 Estimation and Recognition of the Cleanup Cost**

- A. VA will estimate cleanup costs, liability and related expense for those costs that are both probable and reasonably estimable in accordance with SFFAS 5 and 6, TR 2, 10, and 11, Interpretation 9, and TB 2011-2.
- B. Fiscal Staff from the Administrations and Staff Offices will work with the facility engineers or environmental managers to prepare liability estimates.
  - 1. Facility engineers or environmental managers make the probability determination and written cost estimate.
  - 2. Local facility engineers and environmental managers will quantify EDLs based on the written estimates.
  - 3. Local facility engineers and environmental managers will send cost estimate information to Administration/Staff Office Fiscal Staff.
  - 4. Administration/Staff Office Fiscal Staff will verify the cost estimate information with supporting documentation in accordance with FASAB Technical Bulletin 2006-1: Recognition and Measurement of Asbestos-Related Cleanup Costs.
- C. VA will include costs of investigations in estimating the cleanup cost.
- D. VA will annually recognize a pro-rata portion of the estimated total cleanup costs based on the remaining useful life of the subject PP&E.
- E. VA will recognize the expense based on use of the physical capacity of the associated PP&E (e.g., expected usable area) whenever possible. If physical capacity is not applicable or estimable, the estimated useful life of the associated PP&E may serve as the basis for systematic and rational recognition of expense and accumulation of the liability.

- F. VA will begin recognition of the expense and accumulation of the liability on the date that the PP&E is placed into service and continue in each period that operation continues. The liability is to be fully recognized when the PP&E reaches the end of its useful life as noted in the Treasury Guidance on Accounting for the Disposal of General PP&E.
- G. Administration/Staff Office Fiscal Staff, in coordination with the facility engineers or environmental managers, will update environmental cleanup cost estimates on a regular basis, at least annually.
- H. Updated cost estimates will be documented in writing by the station engineers and financial staffs and maintained with EDL files, including documenting decisions to not adjust the estimated costs.

#### **080504 Recording the EDLs**

- A. Fiscal Staff in the Administrations and Staff Offices will record, in the accounting system, all estimated future costs for EDL cleanup activities for which VA is responsible or has acknowledged responsibility and the EDLs are both probable and reasonably estimable.
- B. Fiscal Staff will record EDL cost estimates in the appropriate Assets and Miscellaneous Accounts Fund (AMAF) or another fund as appropriate. Documentation to support entries must be retained.
- C. As the estimated cleanup costs fluctuate over time, VA will recognize the cumulative effect of changes in total estimated cleanup costs related to current and past operations as an expense and will adjust the liability for re-estimates (i.e., estimates shall be revised periodically to account for material changes due to inflation or deflation and changes in regulations, plans and/or technology) in the period of the change in estimate.
- D. VA will recognize payments as a reduction in the liability for cleanup costs as cleanup costs are paid. These include the cost of PP&E or other assets acquired for use in cleanup activities.
- E. Fiscal Staff will, in accordance with the results from annual reviews, adjust the estimated cumulative liability for any changes in the environmental clean-up costs. Adjustments will be made without reversing the original entry and supporting documentation will be retained.
- F. Financial Services Center (FSC) fiscal staff will reverse the year-end balance in the accrued unfunded clean-up costs general ledger account in November of each year to clear estimated clean-up costs for the current fiscal period. An offsetting entry will be made to the clean-up cost general ledger account. Clean-up costs will be re-

estimated in the subsequent fiscal period.

### **080505 Reporting and Disclosure of the EDLs**

- A. VA will report EDLs in its financial statements and related disclosures, in accordance with the requirements contained in OMB circular A-136.
- B. VA will disclose, in a note to the financial statements, information related to EDLs, consistent with the requirements of FASAB SFFAS 5 and 6, TR 2, 10, and 11, Interpretation 9, and TB 2011-2.

### **0806 Authorities and References**

[40.C.F.R. Vol. 1 - Parts 1-29, Protection of Environment](#)

[40.C.F.R. Vol. 30 - Part 300-374, Protection of the Environment](#)

[Clean Air Act](#)

[Clean Water Act](#)

[Comprehensive Environmental Response Compensation and Liability Act of 1980  
\(CERCLA or Superfund\)](#)

[Emergency Planning and Community Right-to-Know Act](#)

[FASAB, Technical Bulletin \(TB\) 2006-1: Recognition and Measurement of Asbestos-Related Cleanup Costs \(As amended by TB 2011-2, Extended Deferral of the Effective Date of Technical Bulletin 2006-1, Recognition and Measurement of Asbestos-Related Cleanup Costs\)](#)

[FASAB, Federal Financial Accounting and Auditing Technical Release \(TR\) No. 2: Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government](#)

[FASAB Interpretations of Federal Financial Accounting Standards 9: Cleanup Costs Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5 & 6.](#)

[FASAB TR No. 10: Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment](#)

[FASAB TR No. 11, Implementation Guidance on Cleanup Costs Associated with Equipment](#)



[Federal Facilities Compliance Act](#)

[Federal Insecticide, Fungicide, and Rodenticide Act](#)

[Nuclear Regulatory Act and its amendments](#)

[Office of Management and Budget \(OMB\) Circular A-136, Financial Reporting Requirements](#)

[Pollution Prevention Act 1990](#)

[Resource Conservation and Recovery Act \(RCRA\)](#)

[Safe Drinking Water Act](#)

[Statement of Federal Financial Accounting Standards \(SFFAS\) No. 5, Accounting for Liabilities](#)

[SFFAS No. 6, Accounting for Property, Plant and Equipment](#)

[SFFAS No. 12, Recognition of Contingent Liabilities Arising from Litigation: An Amendment of SFFAS No. 5, Accounting for Liabilities of the Federal Government](#)

[Toxic Substances Control Act](#)

[Treasury – United States Standard General Ledger Scenario for Implementation  
Guidance on the Accounting for the Disposal of General Property, Plant and Equipment-  
Federal Financial Accounting Technical Release](#)

[VA Environmental Management Program](#)

[VA Environmental Directives and Handbooks](#)

## **0807 Rescissions**

VA Financial Policy, Volume VI, Liabilities, Chapter 8 – Environmental and Disposal Liabilities dated October 2014

## **0808 Questions**

Questions concerning these financial policies and procedures should be directed as follows:

VHA

[VHA 10A3A Accounting Policy](#) (Outlook)

|            |   |
|------------|---|
| VHA        | <a href="#">VAFSC Nationwide Accounting</a> (Outlook) |
| NCA        | <a href="#">NCA Financial Policy Group</a> (Outlook)  |
| NCA        | <a href="#">NCA Budget Service</a> (Outlook)          |
| All Others | <a href="#">OFP Accounting Policy</a> (Outlook)       |

## **Appendix A: Relevant Environmental Laws**

### **A. Principal Environmental Cleanup Laws**

- Comprehensive Environmental Response Compensation and Liability Act of 1980 (CERCLA or Superfund)
- Resource Conservation and Recovery Act (RCRA)
- Clean Air Act
- Clean Water Act

### **B. Other Environmental Laws**

- Safe Drinking Water Act
- Toxic Substances Control Act
- Federal Insecticide, Fungicide, and Rodenticide Act
- Pollution Prevention Act 1990
- Federal Facilities Compliance Act
- Nuclear Regulatory Act and its amendments
- Emergency Planning and Community Right-to-Know Act

### **C. State Laws**

- For Federal cleanup activities, state standards may apply, which are at least as stringent as Federal laws.

### **D. Foreign Laws**


- As applicable.

## Appendix B: Background Information for Potential EDLs

The following questions identify potential Location of Concern (LOCs) that will require a due diligence evaluation. As outlined in the policy, facility engineers and environmental managers are responsible for taking appropriate measures to assess LOCs and identify EDLs. Other legal or local requirements may take precedence over these potential liabilities and LOCs. Each question identifies facility property or equipment that should be a LOC and require a due diligence review. The due diligence review will determine if a potential contamination will be reported as an EDL and estimated cleanup costs submitted.

- Do any of the buildings on facility property contain regulated asbestos containing material (RACM) as defined by 40 CFR Part 61 Subpart M – National Emission Standards for Hazardous Air Pollutants? Note: RACM means (a) Friable asbestos material, (b) Category I non-friable ACM that has become friable, (c) Category I non-friable ACM that will be or has been subjected to sanding, grinding, cutting, or abrading, or (d) Category II non-friable ACM that has a high probability of becoming or has become crumbled, pulverized, or reduced to powder by the forces expected to act on the material in the course of demolition or renovation operations regulated by 40 CFR Part 61 Subpart M.
- Has the facility been named a responsible party for an offsite Superfund (CERCLA) site in a legally executed document such as a consent decree where payment of a specified amount of funds will have to be paid out of VA appropriated funds?
- Is the facility legally required under Federal, state or local requirements, including those related to CERCLA, CAA, CWA, and RCRA, to clean up or affect closure of on-site hazardous or non-hazardous solid waste management units or utilities such as a landfill, incinerator, permitted waste treatment entity, air emission source, or regulated UST? Note: This would not include cleanup resulting from a release of hazardous material where cleanup is affected in the short term as those are operational costs (i.e., as soon as feasible after the release is discovered.). Additionally, is the facility legally required under Federal, state or local requirements including those related to CERCLA and RCRA to participate in long-term cleanup of any on-site or off-site hazardous material releases?
- Does the facility have any equipment or property that has an environmental permit or registration that requires formal closure or costs associated with obtaining clean closure?
- Does the facility have any other situation that would require cleanup of hazardous waste or material that is not related to routine operation and maintenance? If so, please describe:\_\_\_\_\_.

**Appendix C: VA Disposal Guide for Real Property Assets (VIEWS 1389945)**

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|---|---|
| <p>VA Disposal Guide for Real Property Assets (VIEWS 1389945)</p> |  <p>1389945 - VA<br/>Disposal Guide for Re</p> |
|---|---|